

Message Text

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10

ACTION EA-10

INFO OCT-01 EUR-12 NEA-09 ISO-00 CIAE-00 DODE-00 PM-03

H-01 INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05

SAM-01 IO-10 /118 W

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R 280640Z FEB 75

FM AMCONSUL PERTH

TO SECSTATE WASHDC 0799

INFO AMEMBASSY ABU DHABI

AMEMBASSY CANBERRA

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

USMISSION OECD PARIS

AMCONSUL BRISBANE

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

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E.O. 11652: N/A

TAGS: EALR, EINV, EFIN, EAGR, KU, AS, US

SUBJ: POSSIBLE KUWAIT REAL ESTATE INVESTMENT IN WESTERN
AUSTRALIA

REF: KUWAIT 4166 SEPT. 30, 1974

DEPARTMENT PASS TREASURY

SUMMARY: CONSULATE HAS LEARNED THAT SERIOUS NEGOTIATIONS
ARE IN PROGRESS ON A KUWAIT DIRECT INVESTMENT IN A WEST
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AUSTRALIAN CATTLE VENTURE, AND; THAT BOTH STATE AND

FEDERAL GOVERNMENT HAVE INDICATED A WILLINGNESS TO APPROVE THE INVESTMENT SUBJECT TO CERTAIN "CONDITIONS". END SUMMARY.

1. A KNOWLEDGEABLE TRADE SOURCE TOLD CONSULATE OFFICER THAT: OFFICIALS FROM A KUWAIT BANK (APPARENTLY THE KUWAIT REAL ESTATE BANK-KREB) AND THE BANK OF AMERICA HAVE VISITED WESTERN AUSTRALIA AND GIVEN LETTERS OF INTENT TO AUSTRALIAN LAND AND CATTLE COMPANY (ALCCO) TO INVEST IN THE FIRM'S STATION (RANCH); INVESTMENT IS ESTIMATED TO BE BETWEEN US\$47.67 MILLION (A\$35-50 MILLION); PARTICIPATION IS REPORTED TO BE DIRECT ON A 50-50 PROPOSITION AND NOT THROUGH AN AUSTRALIAN GOVERNMENT AGENCY; BOTH STATE AND FEDERAL GOVERNMENTS HAVE VERBALLY APPROVED PROPOSED INVESTMENT SUBJECT TO AUSTRALIAN "CONTROL" WHICH APPARENTLY MEANS MANAGEMENT OF THE PROJECT (ALCCO IS INCORPORATED IN WESTERN AUSTRALIA); ALL PROPERTY INVOLVED IS LEASEHOLD WITH NO FREEHOLD PROPERTY THUS ANY QUESTION OF "OWNERSHIP" IS AVOIDED SINCE ALL PROPERTY TITLE IS HELD BY THE STATE.

2. ALCCO PROPERTY IS LOCATED 1400 MILES NORTHEAST OF PERTH AT CABBALIN AND CONSISTS OF 80,000 CATTLE ON SOME 4 MILLION ACRES OF WHICH 7,600 ARE UNDER IRRIGATION (13,000 MORE ARE AVAILABLE) WITH FEED GRAIN CROPS. ALCCO HAS BEEN IN OPERATION SINCE 1969 USING TEXAS (CRUTCHER GROUP OF HOUSTON) AND SOME AUSTRALIAN FUNDS TO DEVELOP IRRIGATION SCHEME TO FEED CATTLE. HOWEVER OPERATIONS HAVE BEEN GREATLY REDUCED LATELY BECAUSE OF LACK OF FINANCE.

REPORTEDLY KUWAITI FUNDS WOULD MEAN CONSTRUCTION OF A DAM FOR IRRIGATION WATERS, EXPANSION OF CATTLE HERD, AND POSSIBLE ADDITION OF SHEEP. ENTIRE PRODUCTION WOULD BE PROCESSED BY COMPANY'S OWN ABATTOR AND WOULD BE EXPORTED TO ARAB COUNTRIES.

3. TRADE SOURCE HAS EXPRESSED SERIOUS RESERVATIONS ON ECONOMIC VIABILITY OF ALCCO PROJECT BECAUSE OF ITS HISTORY AND POINTS OUT THAT THE LARGE AUSTRALIAN GOVERNMENT FUNDED IRRIGATION SCHEME ON THE ORD RIVER AT KUNUNARA, WHICH IS IN THE SAME CLIMATIC ZONE, HAS NOT BEEN ECONOMICALLY VIABLE PRIMARILY LIMITED OFFICIAL USE

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BECAUSE OF HIGH TRANSPORT COSTS AND THE VERY LARGE AMOUNTS OF FERTILIZERS AND INSECTICIDES NEEDED TO RAISE CROPS. THUS KUWAITI BANK IN ALL PROBABILITY WILL WANT AN IN-DEPTH FEASIBILITY STUDY OF THE ALCCO PROPOSAL BEFORE PROCEEDING ANY FURTHER.

4. COMMENT: KREBS REPORTEDLY INSISTED THAT ITS INVESTMENT BE DIRECT AND NOT THROUGH ANY AUSTRALIAN GOVERNMENT AGENCY.

ACCORDINGLY IT WILL BE INTERESTING TO SEE IF THE
AUSTRALIAN GOVERNMENT GUARANTEES THE INVESTMENT.
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